



RAJEEV CHANDRASEKHAR
MEMBER OF PARLIAMENT
RAJYA SABHA

May 25, 2020

Dear Nirmala Ji,

During this period of CoronaVirus shock, I have been sending you my inputs and suggestions and those also from citizens and Business who reach out to me and/or I engage with.

On 22 May 2020 I had another Video Conference to reach out to MSMEs about the financial package as announced by you and the Government to support businesses. The objective for me was to explain the details of the package and to hear from Business and Entrepreneurs how Government announcements are percolating to them.

I explained the significant measures that you and the Government have taken to support Businesses in the recently announced 3 Lac crore Credit Guarantee Scheme to MSMEs and other measures like Subordinate Debt and Fund of Funds for Equity. The objective of the discussion was to ensure that people can avail the financial stimulus and also debottleneck the flow of credit to those that need them to ensure soft-landing of the economy and restarting businesses.

Understandably, while Business is excited and look forward to the promise and opportunities of reforms via 'AatmaNirbharBharat,' their immediate priorities are to soft-land and restart their businesses. Through this letter I will attempt to list out the results of the engagement and the challenges being faced by the entrepreneurs at the grassroot after the MSME financial package was announced.

1. Most MSMEs pointed out that even though they are entitled to 25% increase in working capital with same amount of collateral to banks (in case of a no-debt MSME) there are operational challenges where bank managers are reluctant to sanction increase, despite the need for liquid cash/ working capital for small enterprises to During and post the COVID-19 Lockdown, women entrepreneurs will need Working capital to mitigate with production, rent, salary. This will also help in procurements. High-level financial policies be implemented at ground level to avail maximum benefits.



2. Many Banks are not acting on applications being made against the 3 Lac Loan Guarantee scheme announced by Government. This is particularly disturbing because this package is at the center of the Government support package to MSMEs. I have urged Industry and MSME associations to monitor the credit applications vs Flow to their members and to keep Finance Ministry and PMO informed or to send it to me so that I can send it and follow up with Finance Ministry.
3. Many banks are not responding to applications of Restructuring and/Resolution of Loans.
4. Since exports have taken a hit and the sector will only open gradually, MSMEs thriving on export business has witnessed major loss and request that they be given preference to bid for Government procurement in specific areas.
5. that opening up of domestic markets and also leveraging procurement by State Governments will help sustain such enterprises.
6. Karnataka Small Scale Association requested for some additional relief to that of the announced packages – in terms of Interest waiver to MSMEs in particular.
7. Equity Funding Support- extreme difficulty in getting equity funding for small/ micro businesses. Access to equity is a massive bottleneck for most such businesses.
8. In case of IT services and solutions companies, which do not deal with tangible products availing loans is difficult where they have to pay salaries and GST so request to increase the moratorium period to 6 to 9 months; which is at present for 3 months and not penalize upon the interest rate.
9. There is a request that on the demand side, GSTs and taxes be reviewed to improve both the liquidity of the producer (without resorting to Loans) and to increase demand side.



The MSMEs and entrepreneurs who have engaged with me are all determined to work hard and bounce back, but they request support to ensure credit in the Financial sector reaches them. This debottlenecking of Credit delivery into the real economy is critical and needs to be achieved fast if the Governments objectives of soft landing and restarting the Economy smoothly are to be realized.

Thank you for your attention

Sincerely,

RAJEEV CHANDRASEKHAR

Smt. Nirmala Sitharaman
Hon'ble Minister of Finance
Government of India
New Delhi

Copy to:

1. Shri Narendra Modi, Hon'ble Prime Minister of India
2. Shri Nitin Gadkari, Hon'ble Minister of Micro, Small & Medium Enterprises, Government of India
3. Shri Pratap Chandra Sarangi, Hon'ble Minister of State for Micro, Small & Medium Enterprises, Government of India